

### Comment on Ronald Dore's Unions Between Class and Enterprise

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Wolfgang Streeck\*

## Comment on Ronald Dore's *Unions Between Class and Enterprise*

Ronald Dore is the rare case of a sociologist who made a prediction that came true. In his seminal book, *British Factory, Japanese Factory*, he concluded that British industrial relations would eventually be like Japanese industrial relations: centered on an enterprise that would increasingly resemble a community of collective interest and identification. Judging from the book's date of appearance (1973), that idea must have been conceived sometime around the late 1960s, which was when „convergence theory“ was about to go out of fashion. Clearly not with Dore. But then, his was a special version anyway that had little in common with the comforting doctrines of post-Eisenhower America: rather than the „latecomers“ to „industrialism“ all becoming like the Anglos, these and everybody else would become like the latecomers, especially the latest of them, then still barely noticed, Japan.

Enter the contorted history of British industrial relations in the subsequent quarter of a century, which Dore could feel fully entitled to perceive as a process of, *sit venia verbo*, „Japanization“. In the late 1960s, the Donovan Commission recommended to fix an industry-wide collective bargaining system that was generating ever rising wage drift by establishing orderly negotiations at company level, placing the responsibility for reform on management. What came was anarchy, or „shopfloor democracy“, with even more drift, followed by the „winter of discontent“: decentralization, as it were, from the left. Next was Thatcher, and with her union decline, management unilateralism, „human resource management“, and company agreements with „reasonable“ unions like the engineers, pendulum arbitration included. Centralization this certainly was not. In the process the industry-wide agreement for the engineering sector disappeared, and with it the British equivalent of Gesamtmetall: a giant transformation nobody had foreseen. Except Dore.

Better not quibble with someone who has so obviously been right on so important a subject. Although, those who will probably never be right in such a big way - i.e., the vast majority of social scientists - may try to draw a little confidence from the thought that there may also be a danger in having won a debate, which is to become inclined to assume that an argument that has prevailed once will therefore prevail all the time. If X was green although everybody was sure it was blue, why should Y not also be green since this time everyone claims it is red? The answer is: because it doesn't follow, and what is green anyway?

It is not difficult to understand why Dore eventually *had* to visit Germany. If there are indeed, as he puts it, „universal forces in modern capitalist societies to devolve wage bargaining and worker-representational activity to the enterprise“, then

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what he, too, recognizes as high centralization in German industrial relations must present a puzzle. Disposing of that puzzle requires empirical evidence that below the surface of centralized institutions there are local practices and attitudes - workplace-based joint regulation plus company loyalties of workers - that together constitute what in the language of Donovan would have been an „unofficial“ system undermining, and ready to displace, the „official“ one: or, in Dore's words, „an enterprise-focussed system struggling to get out“, like Michelangelo's slave struggling to free himself from his confinement in the raw stone. To the extent that unbiased observation guided by proven theory can anchor a metaphor of this sort in fact, the theory becomes even more proven. While things may take time to unfold, the final outcome will be clear: convergence again.

Are there, then, or are there not, enterprise industrial relations and company consciousness of workers in Germany? Only a few decades ago, this would have seemed an odd question to most observers, especially from Britain. What *they* saw in Germany, to the exclusion of almost everything else, were *Kruppianer* in their uniforms, servile *Industriebeamte*, company social policy, *Betriebsgemeinschaft*, Catholic social thought, works councils left and right, and workers sitting on company boards fraternizing with the bosses. Someone like Walter Kendall, but also Alan Fox, were never able to associate much more with German industrial relations than paternalistic employers welding docile workers, ever searching for *Heimat*, *Führung* and *Gemeinschaft*, to the fate of the common enterprise. Compared to them, Dore's recognition of the centralized and class-based elements of German industrial relations is refreshingly realistic. Note, however, that for the reasons pointed out above, he has to convince himself that it is the existence of an enterprise level in German industrial relations that is the surprise, whereas in fact what *should* surprise him is the high centralization of an industrial relations systems with firms as strongly and tightly organized as German ones. In this respect, strangely enough, the better realists are the Kendalls.

More than other industrial relations systems, or perhaps just more visibly, the German one includes both central and local, class and workplace-based elements. Throughout the twentieth century these coexisted in a complex relationship of competition and, at the same time, mutual support. Historically what centralization there is in German industrial relations had to be wrought from and permanently defended against employer paternalism and worker syndicalism of all sorts, and was never able fully to suppress either of them. At all times, not just under „modern capitalism“, the center of gravity of the system was the workplace, and the centralized institutions remained improbable, fragile and in danger of collapsing into the „normality“ of company-level conflict or, as the case may be, cooperation. Most keenly aware of this were observers sympathetic to the unions, and indeed unionists themselves. The passage Dore quotes from Baethge and Wolf could have been written, word by identical word, in the 1960s or the early 1980s (when, incidentally, I myself believed that what I thought was the impending defeat of IG Metall in the strike of 1984 would amount to a lasting victory of the forces of enterprise

patriotism).<sup>1</sup> The fact of the matter is that IG Metall and the *Flächentarif* are still alive, and so far survived even unification.

At the minimum, this is to say, the German case should teach us that predictions of a demise of centralized bargaining in this country, while always intuitively appealing, may be fallible; having been made all the time, they have, as of now, stubbornly refused to come true. What is more, far from there being a universal tendency from centralization to decentralization, the German case shows that it is quite possible for the opposite to occur: the formation of centralized and class-based industrial relations out of and on top of decentralized and enterprise-based ones. And, even in a system that can in important respects correctly be described as highly centralized, there may be lots of significant action going on at the workplace and company level as well. Indeed it seems safe to say that all industrial relations systems, even the most centralized ones, have at least some local components and some enterprise consciousness of workers<sup>2</sup>. Their presence does not as such indicate a trend towards decentralization, or „Japanization“, just as their weakness does not necessarily mean stability for centralized institutions. *In fact for a centralized system to be stable, it may need a local foundation.* Take Sweden where *Mitbestimmung* came late and works councils were wiped out long ago by industrial unions afraid of enterprise-conscious separatism, and where centralization broke down nonetheless, and compare it to Germany where the existence of strong works councils was shown, in the 1970s at the latest, to contribute to the stability of industrial unionism and industry-wide collective bargaining rather than to detract from it.

No doubt there are workplace-based industrial relations in Germany. But since this has been true all the time and is very likely true everywhere, I claim that evidence to this effect tells us little - certainly not that there is a natural tendency in „modern capitalism“ for employment relations to be regulated at the enterprise level in the context of a company community. To know it's green, that is to say, is not enough; if everything is green, it is the differences, not the commonalities, that make the difference. What is important, in other words, is how the workplace - the site where labor is turned over to an employer in exchange for a wage - is embedded in the larger social context of institutions, politics and culture. Company-level industrial relations at IBM differ from Toyota, which in turn differs, in distinctive ways, from Volvo and Volkswagen. By night all cats are gray, says the German proverb. *Hast Du*

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<sup>1</sup> The strike, of course, was not lost, so my prediction could have been right!

<sup>2</sup> Apart from, perhaps, early postwar Britain which failed entirely to institute works councils, making it the odd man out in Europe, and the outlier in need of a return to the regression line. This made it likely that at some stage, as the postwar settlement came under the wear and tear of the times, a certain growth would be observable in the importance of the enterprise level - if only in the form of a shop stewards revolution, which was the only form available given the way the system was structured. Add to this the strictly voluntaristic character of British industrial relations at the time, and one wonders how there could ever have been centralized collective bargaining in Britain in the first place. I am aware that it is easy to say this with the benefit of hindsight.

*den Teufel erst im Leibe*, says Mephisto to Faust, *siehst Helenen in jedem Weibe*. As the drama teaches us, this condition is not conducive to sound analytical reasoning.

So, no need to deny that there are elements of seniority pay in Germany that are sometimes negotiated between employer and works council. But compared to Japan, these are so small, because of the impact of the industrial agreement, *that in effect they are something qualitatively different*, and cannot possibly be taken as evidence that a company-community industrial relations system exists or is „struggling to come out“ in Germany. Similarly, there clearly is piece-work, and it is a fact that rates are negotiated by the works council as part of its legal rights to co-determination. But note that the upper and lower limits of piece-rate earnings in Germany are tightly regulated by industrial agreements which works councils are legally obliged and ideologically inclined to enforce, turning the piece-rate wage *de facto* into something like a time-wage. There also is wage drift, sometimes generated by works councils in the gray zone between legal co-determination and illegal company-level wage bargaining. But German wage drift is remarkably low and has further declined, not just in the last two years but throughout the 1980s, as a result not least of union pressures for reduction of working hours and overtime. Equally importantly, the wage spread in Germany is narrow for a large country and has further declined in the 1980s. It is particularly narrow between industries and between large and small firms, *due to workplace industrial relations being embedded in a broader context of joint regulation that enforces on workplaces solidarities and principles of justice* (equal pay for equal work, and a high income floor for everybody, regardless of place of employment) *that significantly transcend the individual „company community“*.

One can go on like this. There is long-term employment in Germany, just as there is in Japan. But it is at one's peril that one overlooks the fact that in Germany employment relationships last because employers find it hard to fire their workers, whereas in Japan they last because workers find it hard to find new employment if they leave - in other words, that in Germany they last because workers decide not to leave while in Japan they last because employers decide not to fire. Also, there are company pensions in both Germany and Japan. But in Germany they are marginal on the whole, the public pension system providing for social security independent from one's „company community“, and company pensions are portable in law. Here as elsewhere, the social bonds between worker and employer inside the workplace, weaker and functionally more specific to begin with, are mediated and regulated in a myriad of ways by law and intermediate organizations, with one parameter after another of the way in which the „social partners“ at the workplace regulate their relationship being set by agents outside the workplace. There are very good reasons why German employers are so concerned about „rigidities“ and the limits to their capacity to be „Herr im Hause“, or to mobilize Japanese or American-style worker „involvement“.

Dore, of course, is more concerned with current changes than with basic structures. Like many others, he observes a recent increase in the number and

importance of industrial relations issues regulated at enterprise level between works councils and individual employers. What he fails to note, however, is that to a large and important extent this is the result of a remarkably orderly process of *controlled decentralization*, where unions and employers associations together formally mandate the parties at the workplace to regulate specified matters, often within a predetermined range of options and using the legal instruments provided by the works constitution. This, I maintain, is far from a breaking-up of industrial unions, with local representatives appropriating bargaining functions either for militant purposes, like in Britain in the 1970s, or for „wildcat cooperation“ like in the U.S. in the 1980s. Nor, to the chagrin of employers, does it entail the disappearance of unions and the replacement of joint regulation with unilateral management control, soft or less soft. In fact, the delegation of bargaining matter to the system of co-determination at the workplace, through so-called „Öffnungsklauseln“, while often posing considerable technical problems, all in all enabled central regulation to stay on top of rising local diversity *and thereby preserved centralization*, at a time when in other countries it had to yield to centrifugal pressures for „flexibility“. If Dore was looking for an explanation for the unique persistence of centralized collective bargaining in Germany, the unique system of German co-determination would be his safest bet.

But are there not paternalistic machine-tool companies in the South-West where the boss visits the workers on their birthdays? No doubt there are, although one would think their number is much lower today than it was, say, in the 1910s. And what about works councils that collaborate with management to subvert the industrial agreement? They certainly exist, as they always did, especially in times of economic distress. Indeed it is quite possible that today such collaboration is occurring on an unprecedented scale. But then, this is an economic crisis of unprecedented scale. The really important question is whether all this can be taken to indicate a general trend in Germany towards the formation of „company communities“ in the sense of Dore's splendid analysis of Japan. *Here I strongly disagree*. There clearly is change, the future is uncertain, and the most amazing things can happen. But while there may be „universal forces“ that help trigger such change, there is typically also continuity based in distinctive national institutions, experiences and cultures that may impose itself so effectively on the local manifestations of such forces that the differences between countries may well remain more important than the similarities. This, I maintain, is very likely to be the case for German industrial relations.

I do not pretend to know what exactly German industrial relations will be like in twenty years. However, my reading of both recent trends and underlying institutional structures convinces me that they will in more than trivial ways still be recognizably German, and in particular differ sufficiently from Japanese „company communities“ to make convergence theory, decentralization of collective interest representation or not, look trivial. Concerning ongoing changes, nobody has better pointed out than Dore himself that a company community requires company consciousness, not just on the part of workers, but also of capital. As Dore notes, financial globalization is

rapidly ending the era of silent and patient commitment of capital, overriding national financial regimes that have, in Germany just as in Japan, made long-term profitability and stable growth as conditions as well as consequences of stable employment, at least as important for large firms as „shareholder value“. With the emergence of a „market for company control“, it is hard to see how the social reciprocity between capital and labor that is essential for Japanese-style company communities should be assured in the future.

Recent changes in industrial organization point in the same direction. As the *boundaries of the firm* are being redefined through vertical disintegration and new patterns of division of labor between suppliers and assemblers, so are those of the constituencies of workplace-based collective representation. The most advanced example of changing industrial organization upsetting the German version of such representation, co-determination, is the „fragmented factory“ (*fraktale Fabrik*). While located in one physical space, this is no more than a temporary combination of subdepartments from different firms producing together for a limited period under the same roof. Representation in a factory of this sort is divided among several works councils, each representing the entire workforce of a different firm, including workers employed in far remote places. As the composition of such a factory changes, so must the interests of workers that arise in it, without ever being able to crystallize in the same way as in a traditional firm. Very likely, developments like these will not only impede the rise of „company consciousness“ in Germany, but will also weaken the social cohesion of firms in Japan.

Turning to the longer-term factors, the uniqueness of German industrial relations resides above all in a firmly established culture, not so much of class but of *work*, which in turn is rooted in the institution of *Beruf*, its governance arrangements as well as its contribution to social identity formation. It is at this point that I believe Dore's view of the German system goes severely wrong, apparently due to a sort of Anglo-Japanese ethnocentrism that prevents Dore from realizing that *Beruf*, the closest English translation of which is probably *occupation*, differs, not just from Japanese *company membership*, but also from Anglo-American *craft*. Speaking of „craft/occupation“ as though the two were the same, Dore looks for traces of craft organization, payment systems, qualification and consciousness in the German workplaces he has visited, finds none or only very few, and concludes that the centralized institutions of German industrial relations, having no foundation in the reality of the workplace, are doomed to collapse and, *therefore*, give way to Japanese-like enterprise communities. This misses the fact that in Germany, the legacy of *Beruf* makes for a highly distinctive institutional interface, absent in both Japan and Anglo-America, between internal and external labor market, workplace and society, and workplace-based and generalized regulation of employment, where centralized collective bargaining is thus just one among a range of external, „republican“ institutions that penetrate the workplace and prevent it from becoming institutionally complete.

Like craft, *Beruf* relates to a person's capacity to do a certain kind of qualified work. But unlike its Anglo-American counterpart, *Beruf* does not carry an entitlement to be assigned only specified, „skilled“ work tasks. In a craft system, strong craft unions, imposing their job territories on the division of labor at the workplace, ensure that a worker's qualification and the job he performs are strictly matched. This is not so in a system of *Berufe* governed, not by narrowly defined unions with a vested interest in limiting access to skills, *and thereby to skilled employment*, but by industrial unions and employers associations together under the legal facilitation of the state. Due to their corporatist governance, German occupations are much more broadly defined than both Anglo-American crafts and any job a worker may be performing at any moment in time. This allows for high flexibility in the division of labor in individual workplaces, approaching although probably not quite matching Japanese flexibility, *without sacrificing the certifiability of skills and, thus, the possibility for workers to move between different employers*. For the same reasons, German occupational profiles can relatively easily be revised to keep pace with technical changes, and in particular can be broadened further to enhance flexibility - not least, as Dore notes, by reducing the number of occupations.<sup>3</sup>

*Beruf*, in other words, preserves the principle of external - occupational! - labor markets without preventing flexible adjustment of work patterns and work allocation in internal labor markets; *it thus combines core elements of the Anglo-American and the Japanese patterns without being identical with either*. Similarly, German occupations combine manual and intellectual skills, and thus allow for flexible recombination of the two in response to technological change, just as training combines classroom instruction with practical experience. This has a number of crucial consequences, one of which is a cultural perception of the difference between manual and intellectual work as gradual and continuous, which makes possible career ladders from blue-collar to white-collar work *through formal training*, at *Meisterschulen* and *Fachhochschulen*, but also at universities, i.e., *outside and independent from the enterprise*. Another aspect of this is a remarkable infusion of professionalism into blue-collar work, and indeed in the German language *Beruf* means both occupation and profession (a lawyer has a *Beruf*, just as a trained mechanic, and like the latter a banker undergoes an apprenticeship of three-and-half-years). This is reflected in high cultural esteem in German workplaces for *Wissen und Können*, which is the real explanation for certain phenomena Anglo-American observers find strange: for example, workers' perfectionist concern with technology and deadlines, as well as lack of willingness of works councils to waste political capital on solidarity for workers who refuse to undergo training or otherwise pull their weight.

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That German *Berufe* are administered by industrial unions, not craft unions, and not just by them but in conjunction with the associations of employers, also explains the universality of vocational training and its penetration in the white-collar sector.



On all of Dore's three counts, pay, skill and consciousness, then, the difference between craft and *Beruf* is central, and highly relevant for the question of a transition from „class“ to „company“. Under a craft regime, payment based on qualification and payment based on job performed must always be the same as craft unions ensure that job design at the workplace matches qualification profiles established outside the workplace, and access to jobs is conditional on certified qualifications. Payment systems under which pay is no longer mainly or exclusively related to job done can then only be „person-related“, i.e., subject to supervisor discretion and designed to reward social integration, cooperation and discipline, i.e., everything that craft unions despise. *What is not Anglo-American, in other words, must ipso facto be Japanese.* The fact of the matter is, however, that under a system of *Berufe* where qualification and job performed are not by definition the same, payment can be detached from the latter and still be based on the former, instead of being based on seniority or company loyalty, and qualification can be „objectively“ established and certified by agents outside the employing organization and irrespective of extrafunctional characteristics of workers, such as willingness to trust, obey and follow group norms.<sup>4</sup>

If German workers work diligently and responsibly the explanation need not be company identification but may be professionalism. Professionalism allows for cooperative behavior out of loyalty, not to the employer, but to workers' view of themselves as *Facharbeiter*. What may sometimes look Japanese in Germany is therefore in reality far from Japanese. That German skilled workers talk back to their supervisors may be explained, not necessarily by their trust in their supervisors' decency,<sup>5</sup> but by their belief that they know better. And that German workers often do not care much for *Drückeberger* and *Nichtskönnner* need not be because they identify with their employer or the *Meister*; in fact, if there is one big theme in German workplaces, it is workers clamoring for autonomy, or more simply: *for being left alone*, at work. Not in order to have an opportunity to shirk - although shirking certainly happens - but primarily for the right to control their performance themselves in line with their view of proper occupational-professional practice. *Nota bene* that the demand is definitely *not* for control to be transferred from the *Meister* to the peer group. Being controlled by their peers is at least as unpopular with German workers as being controlled by a foreman, and it is precisely for this reason that group work has such a hard time taking root in Germany, regardless of strong efforts by employers, especially in American-owned firms. Social relations in German workplaces operate at arm's length, like they used to in America, and authority,

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<sup>4</sup> Indeed if there is a dominant trend in the development of payment systems in Germany, it is towards wages based on ability, with ability measured by certificates for further training.

<sup>5</sup> Such trust, where it exists, derives typically from the strong safeguards against employer unilateralism that are institutionalized under co-determination.

where the firm insists on it, better be formal and accountable rather than informal and diffuse; this is why hierarchy tends to be preferred as a lesser evil over peer pressure.<sup>6</sup>

An important phenomenological expression of the German pattern of *integration at work through quasi-professionalism* is the remarkable hostility of German workers towards any attempt by the employer to invade what workers regard as their „privacy“. Here the differences to the Japanese „company community“ are perhaps most striking. Personal and work-related - or better: employer-related - matters are strictly kept apart, like with British or American workers, at least before their „Japanization“, and the boundary between the two is vigilantly policed. *Datenschutz* has become a central issue of German industrial relations. Works councils spend enormous time and effort making sure that employers refrain from using modern information technology to construct performance records on workers. Anything only remotely resembling the operation of a Japanese personnel department would be rejected as a totalitarian infringement on workers' lives, not just by workers and unions, but by the majority of employers as well, and certainly by the courts.

Similarly, one of the strongest differences between Japan and Germany is working time, the social regulation of which in Germany is another visible expression of a distinctive pattern of involvement of workers in the organization that employs them. German workers are extremely conscious about preserving the border between work and leisure, and are actively concerned that the „greedy institution“ of the workplace claim only a limited segment of their identity and leave them „time for themselves“ outside work. *In this respect in particular, the German company is far from a diffuse community.* Compared to Japan, very little time is spent in that community in the first place, with a tendency towards further decline. Social loyalties outside work, among which class or occupation are not necessarily central, compete with and attenuate loyalties with employers and work mates; this is what German employers mean when they find that German workers are „not good at teamwork“. Overtime is not liked, especially unexpected overtime, since it extends the control of the firm over the worker into his or her private life; the success of the unions in reducing it, together with working time generally, can be understood only on this background. Vacations are long, and are taken, and if German workers get sick, they do get sick.

Such limited integration in the workplace and actively maintained social distance from it Dore finds difficult to reconcile with the other, equally valid

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<sup>6</sup> That German workers are not primarily motivated by a sense of organizational discipline or loyalty to group and firm, but by something more like professionalism, shines through a statement by the personnel director of Mercedes Benz, as quoted in a recent paper by Michael Schumann: „Mercedes Benz will not follow the Japanese method of tightly binding ... workers to the production lines, because in Germany this would not lead to enduring changes in the attitudes towards work, performance and rationalization. In order to meet the competition one needs not only short-term cost control but significant mid-term and long-term behavioral changes as well. *This requires a work organization which encourages employee initiative and satisfies higher work expectations*“ (Schumann 1995, 10; my italics).

observation of German workers' acceptance of responsibility for their work. But it is a mistake to interpret the latter as a sign of the former going away, and of Japanese-style company communities replacing Anglo-American-like „bloody-mindedness“. In German reality limited involvement in the workplace and high involvement in work fit perfectly well together if one remembers the centrality of *Beruf*: which is *not* a craft system capable of deteriorating into a regime of entitlements for people with outdated skills, whose only claim is that they have „served time with the union“, but a social construct that makes possible commitment to work apart from commitment to employer, promotes a respect for *Leistung* that can be shared between management and workforce, and requires as well as allows for bases of organization, identification and political influence outside the workplace.

Nobody knows what will happen to the „German system“. Many of its elements are changing today, including the training regime and the cohesion of employers associations. But change there has always been, and there was no moment in history when „the system“ was conceived as such and instituted in one piece. It is quite likely, indeed already observable, that as part of the ongoing transformation of German industrial relations, even more issues than in the past will be dealt with at the workplace, and that inequality between workers in different sectors and firms will rise. But then, local regulation is nothing new in Germany as long as it remains itself regulated by central regulation. What would be radically new would be the emergence of the enterprise as an autarkic community, a functionally diffuse, self-sufficient social enclave impenetrable for external intervention. However much the wage spread between firms may have to increase in Germany in coming years; however the balance between workplace-specific and general qualifications will have to be recalibrated; and however important the economic fate of their employer may become to workers under high unemployment: this I find extremely unlikely.

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